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SUBJECT: MUTHANNA: PIC PROVINCE WITH SOLID BUDGET EXECUTION RECORD

¶1. (U) This is a PRT Muthanna reporting cable.

¶2. (SBU) Summary: Muthanna has had a solid budget execution record over the past two years and is eligible for a budget supplement in ¶2008. With elections approaching, the Provincial Council plans to allocate 66% of both its original and supplemental budgets to programs that will directly impact the voting public - no surprise for a budding democracy in an election year. End Summary.

¶3. (U) Muthanna became the first of Iraq's 18 provinces to revert to Provincial Iraqi Control. In September 2007, it was among the first group of provinces to complete a Provincial Development Strategy. (Once again, Muthanna is among the leaders in committing its budget.) This year's budget figures tell a relatively encouraging story.

¶4. (U) At the end of April 2008, Muthanna had already committed 39% of its initial budget allocation of \$83.4 million. On the heels of 95 percent and 89 percent of funds committed for 2006 and 2007 respectively, Muthanna is well positioned for a third straight year of budget success.

¶5. (U) In order to request a capital budget supplemental, the Ministry of Finance requires a provincial government to commit 25 percent of its FY2008 (capital) budget by June 30, 2008. Muthanna has committed 39 percent and plans to request a supplemental of \$58M, 70 percent of its original allocation. According to contacts in the provincial budget office, if approved, two-thirds of the additional capital budget will go to sectors that directly touch the voters: utilities, health, education, and municipalities. These figures parallel the original 2008 budget allocation.

¶6. (U) The chart below provides a breakdown of the original and supplemental budget figures (in US dollars).

| Sector incr.) | Original 2008 Budget | Supplemental Budget (percent |
|------------------|----------------------|------------------------------|
| Utilities | \$22,908,333 | \$15,740,000 (+69) |
| Education | \$14,512,500 | \$8,622,500 (+59) |
| Municipalities | \$12,500,000 | \$11,208,333 (+90) |
| Transportation | \$10,737,500 | \$6,796,667 (+63) |
| Health | \$5,833,333 | \$3,333,333 (+57) |
| Communications | \$3,916,667 | \$2,483,333 (+63) |
| Administration | \$3,833,333 | \$4,494,167 (+117) |
| Criminal Justice | \$3,666,667 | \$3,945,833 (+108) |
| Agriculture | \$3,250,000 | \$875,000 (+27) |
| Youth and Sports | \$1,191,667 | \$475,000 (+40) |
| Other | \$1,050,000 | \$891,667 (+85) |
| Total: | \$83,400,000 | \$58,865,833 (+70) |

¶7. (SBU) Comment: The Provincial Council has allocated 66 percent of both its original and supplemental budgets to sectors that directly touch the voting public - no surprise for a budding democracy in an election year. End Comment.